

# IDAHO BARLEY NEWSBRIEF

## Inside this issue:

IBC hosts Sept. 14  
web-based seminar  
MY 2011 Grain Mar-  
ket Outlook  
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fish feed from barley  
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**Idaho barley  
check-off dollars  
at work...IBC will  
host an internet-  
based seminar,  
known as a webinar,  
on Tuesday, Sept. 14  
at 6:30 a.m. to dis-  
cuss 2010-11 grain  
market outlook and  
2011 malt contract  
pricing strategies.**

**Date – Tuesday, Sept.  
14, 2010**

**Time – 6:30 a.m. – for  
about 45 minutes**

**Webinar Name- Idaho  
Barley Commission**

**To join this free webi-  
nar, log onto: [https://  
connect.cals.uidaho.edu/  
barley/](https://connect.cals.uidaho.edu/barley/) Participants will  
need computer speakers  
in order to listen in.**

## 2011 World Grain Markets - a look at fundamentals and technicals

**Current Market Outlook** - U.S. and European wheat futures exploded sharply higher from mid July to mid August, boosted by a big inflow of investment money that was triggered by expected crop shortfalls in Russia, Ukraine, some European regions and Canada. These supply uncertainties were underscored by a Russian announcement on August 5 that it would ban grain exports from Aug. 15 to Dec. 31, and later extended the ban through the end of the 2011 harvest. Corn and barley prices began rising steadily in the face of supportive global fundamentals and strong demand resulting from less feed wheat on the world market.

### Highlights of USDA S&D estimates, Sept. 10, 2010 -

- ✦ World barley production down 16% (U.S. down 19%), usage down 2% but still well above production (U.S. up 1%) and carryover down 42% (U.S. down 23%). EU crop down 12%, Canada down 11%, Russia down 50% and Ukraine down 24%.
- ✦ World wheat production down 5% (U.S. up 2%), usage up 2% and well above production (U.S. up 4%) and carryover down 9% (U.S. down 7%).
- ✦ World corn production up 2% (U.S. up slightly), usage up 1.2% (U.S. down 1%) and carryover down 2% (U.S. down 19%).

### Immediate Factors to Watch –

- ✦ Sept. 10 S&D report was considered friendly to corn as USDA lowered its U.S. corn yield by 2.5 bpa, as widely expected, but also lowered world corn production and ending stocks.
- ✦ Sept. 10 report not as friendly towards wheat, as both domestic and world ending stocks were pegged higher than the trade expected.
- ✦ **Wild cards for wheat** – percentage of German crop that is downgraded as feed wheat; delay in Canadian wheat harvest and possibility of quality losses; Western Australia (41% of the wheat crop) remains dry during heading which likely means less than trend line yields while eastern regions look like they could have bumper crops but might face a prolonged rainy season during harvest due to LaNina weather pattern; Argentine wheat crop also remains on the dry side and is expected to see below normal rainfall this season due to LaNina.
- ✦ Outside market influences - investment money flow, the value of the dollar and crude oil - continue to strongly influence market direction.

### Technical indicators -

- ✦ Since mid July both the CHI wheat and corn futures charts have shown a strong bull run market. Current weekly and monthly moving averages remain bullish for both wheat and corn.
- ✦ **Key trend line support level for CHI Dec 2010 wheat is \$6.76/bu and CHI Dec 2010 corn is \$4.15/bu . If prices fall below these key support levels, signal that bullish trend is slowing or turning bearish.**

## Market Buzz ... making fish feed from barley protein

Fish farmers are looking for alternative feed ingredients due to a rapid rise in traditional fish meal costs, and thanks to a major research breakthrough in processing, **concentrated barley protein looks like it can become an excellent fit in North American trout and salmon diets.**

Dr. Rick Barrows, lead ARS fish feed researcher based in Hagerman, ID and Bozeman, MT, says this new extraction process is a win-win for barley - it can deliver the protein levels that the fish need without the other anti-nutritional factors that you see with whole grain barley and other plant ingredients being evaluated. Barrows developed the new processing method for extracting and concentrating barley protein concentrate to a 60% level, in partnership with a private company, Montana Microbial Products.

## From the federal frontlines...

- ✦ **Colombia Free Trade Agreement needs approval -** Citing a significant loss in market share for U.S. wheat and corn, **Colombian Ambassador Carolina Barco**, made a personal appeal to barley, corn and sorghum producers who gathered for the 50th Annual U.S. Grains Council Membership Meeting in Boston in late July, to help secure passage of the Colombia-U.S. Free Trade Agreement that was completed back in 2006 but still awaiting congressional approval. Ambassador Barco stressed that total U.S. agricultural exports to Colombia were nearly \$1.2 billion in 2008, but were cut in half in 2009 due to competition from other countries who have negotiated preferential duties into Colombia through their own bilateral trade deals. **The biggest loss of U.S. market share has been in corn - a 74% decline from 96% share in 2007 to 22% this year - followed by a 57% reduction in U.S. wheat market share.** U.S. Grains Council officers traveled to Colombia in March to discuss this alarming erosion in U.S. grain sales and concluded that traditional U.S. customers are increasingly turning to Argentine and Canadian grains because they can now be imported into Colombia with lower or zero tariffs.
- ✦ **Truck weight legislation introduced -** Idaho Senator Mike Crapo has introduced bipartisan legislation to increase trucking efficiency and safety – **S. 3705, the Safe & Efficient Transportation Act of 2010** – by allowing truck weights to increase from the current 80,000 lbs cap to 97,000 lbs, with a minimum of 6 axels, on the interstate system in any state that opts into the plan. This higher truck weight cap is expected to result in fewer trucks on the road, lower fuel usage and reduced emissions. Identical legislation – HR 1799 has been cosponsored by Idaho Representatives Mike Simpson and Walt Minnick.
- ✦ **Small brewers excise tax bill gains steam in the U.S. Senate -** Senator Mike Crapo is also championing legislation to cut in half the federal excise taxes from \$7 to \$3.50 per barrel for the first 60,000 barrels of beer produced by the 1500 small craft breweries scattered across the country. For each additional barrel up to 2 million, the bill would lower the excise tax from \$18 to \$16. Senator Crapo toured the Portneuf Valley Brewing Company in Pocatello on August 28 to discuss the benefits of this tax relief bill. Idaho Grain Producers Association President Scott Brown, barley producer from Soda Springs, thanked Senator Crapo for his leadership on legislation that will help expand markets for Idaho's malt barley crop.

## From the federal frontlines, *continued from page 2*

**Gearing up for the 2012 farm bill debate** - Both the House and Senate Agriculture Committees have begun preparing for the 2012 Farm Bill, both in terms of preserving spending baselines and policy approaches. A new report issued by the Congressional Research Service, the research and analysis arm of Congress, helps shed some light on how well current commodity price and income support programs are serving U.S. producers. **Entitled, “*Measuring Equity in Farm Support Levels*” (July 2010) , the report shows a large disparity in relative levels of federal farm benefits among the commodities covered by the farm bill.**

### Here are some interesting findings from this CRS report:

- ✦ More than \$160 billion has been paid out in commodity price and income support payments covering two dozen commodities in the past 15 years since Freedom to Farm was signed into law in 1996.
- ✦ Yearly support levels for major program crops have averaged \$9.118 billion. If that total amount were distributed equally over all program crop acreage, the payments would have amounted to \$40/acre. Actual payments ranged from a high of \$217/acre for rice to a low of \$6/acre for minor oilseeds. Barley payments have averaged \$30/acre.
- ✦ On average, commodity payments represented slightly more than 12% of crop market value, ranging from a high of 53% for cotton to a low of 2.7% for pulses. Barley payments were about 18% of market value.
- ✦ When comparing current levels of support to production costs for the various commodities, the report found that the target price for peanuts amounted to 100% of the total cost of production for that crop compared to only 37% for oats. Barley’s target price was 47% of total cost of production, wheat at 63% and corn at 85%. On the basis of per unit payments compared as a share of per-unit total cost of production, barley is at 11.7%, wheat at 10.9% and corn at 12.3%, with a high of 34% for cotton.
- ✦ The average instance of commodity market prices falling below their established loan rates across all major program crops was 30%. If this 30% was used as the price-safety-net goal, then some commodity loan rates would need to be lowered (rice by 33%, cotton by 20% ) and some raised (barley by 16%, soybeans by 7%, oats by 5%, corn by 3% and wheat by 1%).
- ✦ The level of counter-cyclical (CCP) income support provided across program crops also shows wide disparities. For all commodities, market prices fell below corresponding effective target prices 58% of the time, with a low of 39% for barley and high of 92% for upland cotton, meaning that barley has a lower level of support as a percentage of its market price compared to all other program crops.
- ✦ **Conclusion - Barley and soybeans receive disproportionately lower CCP and marketing loan support relative to other crops, while cotton and rice receive the highest level of both CCP and market loan support.**



## Making fish feed from barley, *continued from page 2*

ARS and MMP jointly hold a patent for the enzymatic process used to make the barley protein concentrate. MMP is investigating the feasibility of creating a joint venture partnership with the Simplot Co. to convert the now defunct potato waste ethanol plant in Caldwell to a barley protein extraction facility. Meanwhile, major fish feed manufacturers based in the Hagerman valley have been testing the barley protein concentrate as a viable trout feed ingredient.

| MY 2011 World Grain Supply & Demand, USDA, Sept. 10, 2010 (million metric tons) |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
|   | BARLEY  |         | CORN    |         | WHEAT   |         |
|   | 2009-10 | 2010-11 | 2009-10 | 2010-11 | 2009-10 | 2010-11 |
| Carry-in  | 30.9    | 36.7    | 148.0   | 140.0   | 165.1   | 196.0   |
| Prod.   | 149.8   | 125.9   | 811.0   | 826.1   | 680.4   | 643.0   |
| Total Supply  | 180.7   | 162.6   | 959.0   | 966.1   | 845.5   | 839.0   |
| Export  | 16.6    | 15.9    | 88.8    | 93.4    | 134.1   | 125.5   |
| Total Usage   | 144.1   | 141.5   | 820.0   | 829.5   | 649.9   | 661.2   |
| Carryout  | 36.7    | 21.1    | 140.0   | 135.6   | 196.0   | 177.8   |
| Stocks / Use  | 25.5%   | 14.9%   | 17.1%   | 16.3%   | 30.2%   | 26.9%   |